

HOLDING COMPANY AND THE STATE: FINANCIAL COUNTERSTREAMS

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ABSTRACT

Financial relations between JSC «Russian Railways» and the state require optimization. In this regard, we believe that there is a need for an analytical assessment of trends of dynamics and patterns of formation of cash flows of the holding, including in areas such as public funding, debt financing, tax payments to the budget and non-budget funds.

Keywords: economy, railways, holding, state financial relations, cash flows, taxes, budget, investments, non-budget funds.

Background. *The expected results of such an evaluation will help to get an economically sound basis for:*

– *Subsequent construction of an architectural model of changes in the financial system of relations between JSC «Russian Railways» and the state with determination of its new structural elements;*

– *Parametric estimation of statistical dependence between the dynamics of tariffs of JSC «Russian Railways» and the value of tax and finance costs, which will serve as a proof of the possibility of containment of tariff growth for rail transportation due to optimization of corporate cash flows.*

During the implementation of these objectives the attention of researchers is inevitably focused on the fact that currently financial relations between JSC «Russian Railways» and the state are based on a model that is characteristic basically for any subject of the Russian economy (see Pic. 1). However, there is a nuance: JSC «Russian Railways» is an infrastructure monopoly, which sole shareholder is the Russian Federation represented by its Government. This fact determines, first, a permanent presence of budget financing in sources of cash inflows, and secondly, the need for participation of JSC «Russian Railways» in a number of investment projects implemented by the federal government (in addition to its own investment program, which, however, to some extent are still focused on solution of national economic and social tasks).

Quantitative interpretation of components of cash flows model of JSC «Russian Railways», schematically shown in Pic. 1, may be made on the basis of figures in Tables 1 and 2 (the original data are taken from the statement of cash flows of the holding for 2006–2013).

Objective. *The objective of the author is to investigate issues, related to formation of cash flows in relation between the state and the holding company «Russian Railways».*

Methods. *The author uses analysis, statistical method, evaluation approach.*

Results. *Analyzing figures in Table 1, it is logical to conclude that while preserving the dominance of cash payments share of JSC «Russian Railways» for current expenses related to the cost of labor and material support of operating activities (a little over 79% of the total cash outflow in 2006 and almost 58% in 2013), a trend of steady growth in expenditures for investment purposes is formed. During the period from 2006 to 2013, investments grew almost from 5% to 21%, or by 4 times, and on average during 8 years under investigation amounted to 16,14%.*

Given the fact that dynamics of investment activity of JSC «Russian Railways» is largely determined by

The role of JSC «Russian Railways» in socio-economic development can hardly be overestimated. The modern approach to finance rail transport leads to higher tariffs. Change of investment in rail transport at the expense of internal reserves (accrued taxes) will lead to economic growth, and the author's analysis gives a base for this, showing ways of rational organization of counter financial flows.

the dynamics of implementation of the state investment program, this trend should, logically, be accompanied by a similar increase in budget funding. However, as figures in Table 2 show, this relationship is not clear, which gives reason to declare the premises to increase the fiscal burden on the cash flows of the holding.

That is, in fact, the main source of financing of investment activities were, as it seems, and will continue to be own funds of JSC «Russian Railways», generated by revenues from transport activities (they amounted on average for the period under review to 68,65%).

In addition, in the structure of cash inflows the share of income from borrowings increased from 0,73 to 16,01%, i. e., almost 22 times. This trend is seen as negative, given that it naturally entails an increase in financial expenses (interest on loans) as part of debt payments, thus creating prerequisites for the growth of debt burden on cash flows of JSC «Russian Railways».

Describing inflow of funds in the form of budgetary financing and the form of borrowed sources, it should be remembered that their structure for the intended purpose is not uniform: some of them were directed at financing the investment activity of JSC «Russian Railways», and some – at financing current activity. With this in mind, and to further enhance the validity of the author's arguments, the data sources should be differentiated by their constituents.

For this purpose it is necessary to evaluate the structure of assessed¹ budget funding of «Russian Railways» (Table 3), whereby the flow of budgetary funds will be divided into two parts according to their intended purpose (for financing of investment projects and to cover lost income and compensation of transportation costs) in the preparation of matrix balance of cash flows (Table 4).

Indicators of Table 3 give grounds to assert that throughout the analyzed period, as part of the total amount received in 2007, JSC «Russian Railways» funds from the state budget of the Russian Federation consistently that part of them dominated, which was intended to generate investment funds. It increased from nearly 58% to just over 69% in its substantial reduction in 2009 as compared with the previous year (from 53,11 to 27,44%) and minor in 2011 (1,36 percentage points), as well as in 2013 (by 11,95). The

¹ The calculations used data on assessed budget funding due to the fact that the data detailing the purpose of the total amount of received budget funds are not publicly available on the official website of JSC «Russian Railways».



Table 1

Dynamics of volume and structure of cash outflow in the context of its consolidated areas within the existing model of formation of cash flows of JSC «Russian Railways» in 2006–2010.

Indicator	Years							
	2006	2007	2008	2009	2010	2011	2012	2013
Amount, billion rubles.								
1. Cash outflow- total, including payments on:	1377,1	1574,8	2143,7	1915,1	1498,2	1648,1	1914,0	1868,4
1.1. Obligations to the budget and non-budget funds	180,600	179,200	184,500	194,300	253,000	256,600	256,300	237,200
1.2. Debt obligations (repayment of principal debt and payment of interest, including those related to the cost of investment assets)	21,316	17,846	324,225	429,125	139,044	113,760	188,620	151,033
1.3. Other payments on current activities	1091,096	1105,754	1207,283	945,932	847,102	958,914	1028,499	1082,148
1.4. Investment expenditures	66,388	237,454	363,160	295,305	249,091	306,475	396,145	391,272
1.5. Other payments	17,712	34,539	64,546	50,453	9,934	12,320	44,424	6,730
Share, %								
1. Cash outflow- total, including payments on:	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00
1.1. Obligations to the budget and non-budget funds	13,11	11,38	8,61	10,15	16,89	15,57	13,39	12,70
1.2. Debt obligations (repayment of principal debt and payment of interest, including those related to the cost of investment assets)	1,55	1,13	15,12	22,41	9,28	6,90	9,85	8,08
1.3. Other payments on current activities	79,23	70,22	56,32	49,39	56,54	58,18	53,74	57,92
1.4. Investment expenditures	4,82	15,08	16,94	15,42	16,63	18,60	20,70	20,94
1.5. Other payments	1,29	2,19	3,01	2,63	0,66	0,75	2,32	0,36

Table 2

Dynamics of volume and structure of cash inflow in the context of its enlarged sources in the framework of the current model of cash flows formation of JSC «Russian Railways» in 2006–2010

Indicator	Years							
	2006	2007	2008	2009	2010	2011	2012	2013
Amount, billion rubles.								
1. Cash inflow, including by sources:	1373,8	1571,2	2165,3	1896,6	1533,4	1770,8	1846,6	1834,8
1.1. Budget funds, total	1,858	10,179	46,309	108,431	103,611	88,587	100,994	59,470
1.1.1. contributions to the share capital	-	0,003	24,575	28,243	103,611	88,587	100,994	59,470
1.1.2. subsidies	1,858	10,176	21,734	80,188	-	-	-	-
1.2. Credits, loans (including bonds)	9,998	33,402	508,736	422,121	86,951	160,539	201,630	293,808
1.3. Revenue from transportation and other core activities	983,634	1152,475	1263,550	1199,874	1168,516	1180,566	1291,382	1281,153
1.4. Revenues from rental and other income from current activities (excluding budgetary allocation)	376,693	368,850	332,278	131,406	136,216	160,820	124,101	149,846
1.5. Other cash inflows	1,600	6,300	14,400	34,800	38,100	180,316	128,508	50,527
Share, %								
2. Cash inflow, including by sources:	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00
2.1. Budget funds, total	0,14	0,65	2,14	5,72	6,76	5,00	5,47	3,24
2.1.1. contributions to the share capital	-	0,03	53,07	26,05	100,00	100,00	100,00	100,00
2.1.2. subsidies	100,00	99,97	46,93	73,95	-	-	-	-
2.2. Credits, loans (including bonds)	0,73	2,13	23,50	22,26	5,67	9,07	10,92	16,01
2.3. Revenue from transportation and other core activities	71,60	73,35	58,36	63,26	76,20	66,67	69,93	69,83
2.4. Revenues from rental and other income from current activities (excluding budgetary allocation)	27,42	23,48	15,35	6,93	8,88	9,08	6,72	8,17
2.5. Other cash inflows	0,12	0,40	0,67	1,83	2,48	10,18	6,96	2,75

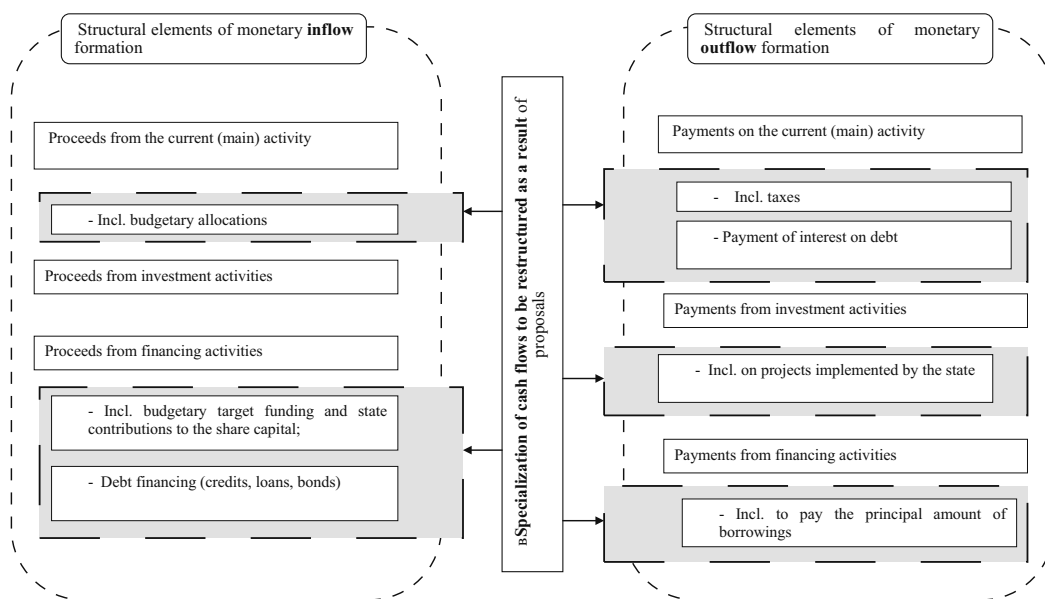


Fig. 1. Schematic model of the current system of cash flows formation of JSC «Russian Railways» and the estimated area of their reformation [compiled by the author].

average value of the index for the year was 55,15%. The rest of allocated budget funds have been presented by funds allocated for compensation of lost income and reimbursement of transportation costs.

In general, the dynamics of the share of budgetary investment resources derived by JSC «Russian Railways», for the last six years analyzed (except for 2009), for more than a half was determined by the amount of budget targeted financing for investment projects of the Russian government.

Cost indicators of generated matrix cash flow balances of JSC «Russian Railways» serve as an array of baseline data for further financial justification.

In particular, the analytical significance of received data is determined by the ability to assess on their basis current funding structure of investment payments of JSC «Russian Railways» and the amount of the shortfall of budget financing. The latter figure can be regarded as a «budget investment burden on cash flows» of the holding. Its equivalent is the amount

Table 3

Dynamics and structure of budgetary financing of JSC «Russian Railways» for its intended purpose in the 2006–2013

Indicator	Years							
	2006	2007	2008	2009	2010	2011	2012	2013
Amount, billion rubles.								
1. Budget financing- total, including for the purposes:	1,940	13,298	46,275	106,400	163,228	119,379	152,138	86,700
1.1. Compensation for lost income and transportation costs	1,940	5,640	21,700	77,200	37,856	29,304	28,327	26,500
– of which freight transportation	1,112	3,591	2,100	40,900	25,420	3,887	3,135	-
1.2. Financing of investment activity, total, incl:	-	7,658	24,575	29,200	125,372	90,075	123,811	60,200
– for development / modernization of infrastructure, etc.	-	7,658	0,000	12,300	41,760	19,246	22,817	0,800
– for investment projects of the government of the Russian Federation	-	-	24,575	16,900	83,612	70,829	100,994	59,400
Structure, %								
The share of investment financing (in the total amount of accrued funds from the state budget)	-	57,59	53,11	27,44	76,81	75,45	81,38	69,43
– annual average	55,15							
The share of financing for investment projects of the government (in the amount of funds for investment activities of JSC «Russian Railways»)	-	-	53,11	15,88	51,22	59,33	66,38	68,51
– annual average	39,31							



Table 4
Matrix balance of cash flows of JSC «Russian Railways» in the context of 2006–2013 years

	2006						2007						2008						2009					
	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL
Sources of monetary funds	-	-	9,998	56,39	-	66,388	-	5,862	33,402	198,190	-	237,454	-	-	-	-	-	-	-	-	-	-	-	-
Use of monetary funds	-	-	-	21,316	-	21,316	-	-	-	17,846	-	17,846	-	-	-	-	-	-	-	-	-	-	-	-
Investment payments	-	-	-	1091,096	-	1091,096	-	-	-	1105,754	-	1105,754	-	-	-	-	-	-	-	-	-	-	-	-
Payment for debts and interests on them (taking into account investment assets included in the value)	-	-	-	180,6	-	180,6	-	-	-	179,2	-	179,2	-	-	-	-	-	-	-	-	-	-	-	-
Other payments from current activity	-	-	-	10,925	1,6	17,712	3,587	4,317	-	20,335	6,3	34,539	-	-	-	-	-	-	-	-	-	-	-	-
Payment obligations to budget and non-budget funds	3,329	1,858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Demand balance	3,329	1,858	9,998	1360,327	1,6	-	3,587	10,179	33,402	1521,325	6,3	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sources of monetary funds	-	24,59	338,567	-	-	363,16	-	29,200	266,105	-	-	295,305	-	-	-	-	-	-	-	-	-	-	-	-
Use of monetary funds	-	-	-	324,23	-	324,225	-	-	-	429,125	-	429,125	-	-	-	-	-	-	-	-	-	-	-	-
Investment payments	-	-	-	1037,114	-	1207,283	18,48	28,778	156,016	707,855	34,800	945,992	-	-	-	-	-	-	-	-	-	-	-	-
Payment for debts and interests on them (taking into account investment assets included in the value)	-	-	-	184,5	-	184,5	-	-	-	194,300	-	194,300	-	-	-	-	-	-	-	-	-	-	-	-
Other payments from current activity	-	-	-	42,830	-	42,830	-	50,453	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment obligations to budget and non-budget funds	-	21,72	-	7,159	14,400	21,559	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Demand balance	-	46,309	508,736	1595,828	14,400	-	18,483	108,431	422,121	1331,280	34,800	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2010						2011					
	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL
Sources of monetary funds	-	79,581	86,951	82,559	-	249,091	-	66,842	160,539	79,094	-	306,475
Use of monetary funds	-	-	-	139,044	-	139,044	-	-	-	113,76	-	113,76
Investment payments	-	-	-	830,129	-	844,225	-	9,425	-	891,932	57,557	958,914
Payment for debts and interests on them (taking into account investment assets included in the value)	-	14,096	-	253,000	-	253,000	-	-	-	256,6	-	256,6
Other payments from current activity	-	-	-	-	-	9,934	-	12,320	-	-	-	12,320
Payment obligations to budget and non-budget funds	-	9,934	-	-	-	9,934	-	-	-	-	-	122,759
Other purposes	-	-	-	-	35,223	35,223	-	-	-	-	-	122,759
Demand balance	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	103,611	86,951	1304,732	35,223	-	88,587	160,539	1341,386	180,316	-	-

	2012						2013					
	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL	Demand balance	Budgetary financing	Borrowed funds	Proceeds from current activity	Other sources (from financial and investment activities)	TOTAL
Sources of monetary funds	-	82,190	201,630	112,325	-	396,145	-	41,293	293,808	56,171	-	391,272
Use of monetary funds	-	-	-	188,62	-	188,62	-	-	-	151,033	-	151,033
Investment payments	-	-	-	858,238	128,508	1028,499	26,85	18,177	-	986,595	50,527	1082,148
Payment for debts and interests on them (taking into account investment assets included in the value)	-	-	-	256,3	-	256,3	-	-	-	237,200	-	237,200
Other payments from current activity	41,753	-	-	-	-	41,753	-	-	-	-	-	41,753
Payment obligations to budget and non-budget funds	-	-	-	-	-	-	-	-	-	-	-	-
Other purposes	25,620	18,804	-	-	44,424	44,424	6,730	-	-	-	-	6,730
Demand balance	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	67,373	100,994	201,630	1415,483	128,508	-	33,579	59,470	293,808	1430,999	50,527	-



Table 5

**The dynamics of budget investment burden on cash flows of JSC
«Russian Railways» in 2006–2013**

Indicator	Years							
	2006	2007	2008	2009	2010	2011	2012	2013
1. Investment costs total, billion rubles	66,388	237,454	363,160	295,305	249,091	306,475	396,145	391,272
2. Including covered from the funds of budget financing, billion rubles	-	5,86	24,59	29,20	79,58	66,84	82,19	41,29
- In% to total investment payments	-	2,47	6,77	9,89	31,95	21,81	20,75	10,55
3. The amount of shortage of investment money resources total (budget investment burden on cash flows), billion rubles. It is covered by:	66,3880	231,5922	338,5669	266,1050	169,5096	239,6335	313,9554	349,9791
3.1. Credits, loans, bonds, billion rubles.	9,9980	33,4020	338,5669	266,1050	86,9510	160,5390	201,6300	293,8080
3.2. Own funds, billion rubles.	56,3900	198,1902	-	-	82,5586	79,0945	112,3254	56,1711
4. The share of deficit,%	100,00	97,53	93,23	90,11	68,05	78,19	79,25	89,45
5. Structure of deficit cover,%:	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00
5.1. Coverage share through credit sources,%	15,06	14,42	100,00	100,00	51,30	66,99	64,22	83,95
5.2. Coverage share from own sources,%	84,94	85,58	-	-	48,70	33,01	35,78	16,05
of them – share of cash inflows from current activities,%	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Table 6

**The dynamics of absolute and relative magnitude of debt burden on cash flows of JSC
«Russian Railways» in 2006–2013**

Indicator	Years							
	2006	2007	2008	2009	2010	2011	2012	2013
1. Cash payments – total, billion rubles	1377,112	1574,793	2143,714	1915,115	1498,171	1648,069	1913,988	1868,383
– Including on current activity, billion rubles	1276,300	1288,800	1401,500	1167,000	1120,000	1234,000	1301,000	1342,000
2. The amount of debt burden on cash flows (cash debt expenses) billion rubles. incl.:	21,316	17,846	324,225	429,125	139,044	113,760	188,620	151,033
2.1. Payment of the principal debt, billion rubles	16,712	14,000	314,508	402,357	109,632	85,646	163,181	118,422
2.2. Payment of interest, taking into account those included in investment assets, billion rubles.	4,604	3,846	9,717	26,768	29,412	28,114	25,439	32,611
3. Cash receipts from current activities (excluding budgetary allocations), billion rubles.	1360,327	1521,325	1595,828	1331,28	1304,732	1341,386	1415,483	1430,999
4. Share of debt expenses in cash payments,%	1,55	1,13	15,12	22,41	9,28	6,90	9,85	8,08
– Including from current activities	1,67	1,38	23,13	36,77	12,41	9,22	14,50	11,25
5. Share of interest payments in payments from current activities,%	0,36	0,30	0,69	2,29	2,63	2,28	1,96	2,43
6. Level of debt burden on cash flows,%	1,57	1,17	20,32	32,23	10,66	8,48	13,33	10,55
– Annual average,%	12,29							
7. Increase / decrease (chain) in level of debt burden on cash flows	-	- 0,39	+19,14	+11,92	- 21,58	- 2,18	+4,84	- 2,77
– Annual average, percentage points	+1,28							

of cash investment spending, which remains non-supported by public funding and paid at the expense of their own and / or borrowed funds of the subject.

The growth rate increases the need for any increase in «paid», borrowed, cash flows, or a distraction of own funds for this purpose. Both trends in cash flows entail the formation of both direct and alternative financial

losses. The first are presented by paid interests on borrowing financial resources, and the second – by missed financial opportunities for future growth through the expansion of cash flows of the main activity by reinvesting money into circulation inflow from operating activities in the part, which was diverted to cover investment payments in connection with the deficit of budget financing.

Table 7

Dynamics of absolute and relative values of tax burden on cash flows of JSC «Russian Railways» in 2006–2013

Indicator	Years							
	2006	2007	2008	2009	2010	2011	2012	2013
1. Cash payments – total, billion rubles	1377,112	1574,793	2143,714	1915,115	1498,171	1648,069	1913,988	1868,383
- Incl. for current activities, billion rubles	1276,300	1288,800	1401,500	1167,000	1120,000	1234,000	1301,000	1342,000
2. The amount of tax burden on cash flows (cash tax expenses), billion rubles.	180,600	179,200	184,500	194,300	253,000	256,600	256,300	237,200
–% to the amount of cash payments	13,11	11,38	8,61	10,15	16,89	15,57	13,39	12,70
– Annual average,%	12,72							
–% to the amount of cash payments from current activities	14,15	13,90	13,16	16,65	22,59	20,79	19,70	17,68
– Annual average,%	17,33							
2.1. Taxes (with PIT), billion rubles	127,600	116,800	110,900	119,700	171,200	145,000	153,000	123,900
–% to the amount of cash payments	9,27	7,42	5,17	6,25	11,43	8,80	7,99	6,63
–% to the amount of cash payments from current activities	10,00	9,06	7,91	10,26	15,29	11,75	11,76	9,23
2.2. Contributions to non-budget funds, billion rubles.	53,000	62,400	73,600	74,700	81,800	111,600	103,300	113,300
–% to the amount of cash payments	3,85	3,96	3,43	3,90	5,46	6,77	5,40	6,06
–% to the amount of cash payments from current activities	4,15	4,84	5,25	6,40	7,30	9,04	7,94	8,44
3. Cash proceeds as a source of tax expenditures coverage, billion rubles	1389,23	1527,625	1610,228	1366,080	1342,832	1521,702	1543,991	1481,526
4. The level of tax burden on cash flows,%	13,00	11,73	11,46	14,22	18,88	16,86	16,60	16,01
– annual average,%	14,85							
5. Increase / decrease (chain) in the level of debt burden on cash flows, percentage points	-	-1,27	-0,27	+2,77	+4,66	-2,02	-0,26	-0,59
– annual average, percentage points	+0,43							

Calculation of the budget investment burden on the cash flow, which will characterize the amount of the deficit of budget financing of investment activity, is carried out by the formula

$$L_{bi} = P_i - BF_i \quad (1)$$

where B_{bi} is budget investment burden on cash flows;

P_i is investment payments (outflow of cash flows on payment of investment expenses);

BF_i is budget financing for the purposes of investment activity of JSC «Russian Railways».

Analyzing the value and dynamics of this indicator (Table 5), it should be stated that during the analyzed period, budgetary investment burden on cash flows of JSC «Russian Railways» was significant. In particular, over the years, its value relative to the amount of carried out cash investment payments ranged from 68,05% (2010) to 100% (2006). This means that the share of the budget financing of the investment activity of JSC «Russian Railways», carried out in order to implement the tasks of government, was extremely low: in 2006, the sources of such funds were generally not observed, in 2007 the rate was 2,47% with growth trend for almost up to 32% (2010), but with a further reduction to 10,6% (2013).

Conclusion on a significant investment budget burden gives grounds to assert that in this context arising financial costs within cash payments (interest expense on debt, including those included in the price of investment assets) were due to investment activities, and increased total cash costs of JSC «Russian Railways» and, therefore, have formed an additional burden, diverting funding of cash flows from current activities. It is possible to trace dynamics and to evaluate significance of the value of such costs according to Table 6, as part of indicators it is proposed to consider «level of debt burden on cash flows» of the holding.

In the author's understanding the level of debt burden on cash flows is a relative value, showing a share of cash inflows from current activities of the subject, which is diverted to pay the debt, that is, the amount of principal debt and accrued interest on borrowed resources (including the principal amount is explained by the fact that it serves as a source to cover the deficit of funds of budget financing of investment activities, a forced measure, which helps to solve public investment tasks).

In a formalized form calculation of payment debt burden on cash flows is proposed to carry out using the formula

$$L_{DB} = P_D / Cl_{CA \text{ without } BF_C} \cdot 100\%, \quad (2)$$

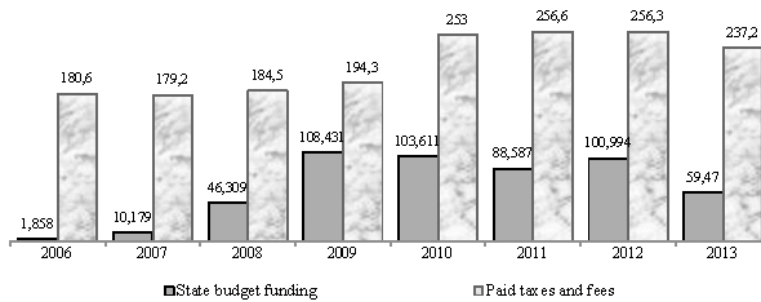
where L_{DB} is a level of debt burden on cash flows;

P_D debt payments (payment of principal and interest paid on loans, borrowings and bonds with interest included in an investment asset); otherwise – absolute value of the debt burden on cash flows (B_D);

$Cl_{CA \text{ without } BF_C}$ is cash inflow from current activities, reduced by the amount of budgetary funding for compensatory nature (the latter are excluded from cash flows, because they cannot be considered as a source of covering the debt, their intended purpose is replenishment of cash outflows from current activities in connection with implemented state program of tariff regulation on certain types of rail transportation).

Analyzing figures in Table 6, it can be assumed that the absolute value of the debt burden on cash flows of JSC «Russian Railways» with multidirectional dynamics increased from 2006 to 2013 from 21,316 to 151,033 billion rubles., i. e. at an average annual growth of 32,27%. Equity participation of debt cash costs in the total amount of cash outflow also increased from 1,55 to 8,08%, or 5,2 times, reaching a maximum value at the level of 22,41% in 2009. On





Pic. 2. Dynamics of monetary volume of budget financing and taxes and fees of JSC «Russian Railways» paid to the budget in 2006–2013, thousand rubles.

average, the share of interest paid and paid principal amount in the total value of cash payments of JSC «Russian Railways» is 9,29%.

Share of diverting revenues from current activities for the payment of debt cash costs averaged 12,29% for the year (almost 156 billion rubles.) with an annual growth rate again, by an average of 1,28 percentage points.

Apart from the need to pay debt cash costs JSC «Russian Railways», as well as all business entities is obliged to charge and pay to the budget and non-budget funds relevant taxes and fees. They are considered by us as a set amount of tax liability (otherwise – the amount of tax expenditures, the absolute value of tax burden)², which, along with debt burden, provokes diversion of funds from current activities. In other words, tax burden is a factor that further aggravates the cash flows of JSC «Russian Railways» while simultaneous significant budget investment burden on them, forming, in fact, on the initiative of the state.

At the same time according to data in Table 7 we can draw another important conclusion: monetary costs of this kind in their weightiness look more important than debt, both with respect to cash payments of the holding and the value of cash inflow, which is seen as a source of funds for the payment of tax expenditures. Those belong to cash inflow from current activities (excluding budgetary allocation of compensatory nature), and cash inflow

from investment activities, and other income from financing line. It takes into account that accrued income relating to investment activity and financing activities in part (in terms of other income) are involved in the formation of the tax base for income tax, thereby increasing the amount of tax payments. For these reasons, the indicator «amount of sources of funds for payment of tax expenditures» is a basis of evaluation of the level of tax burden on cash flows of JSC «Russian Railways».

The level of tax burden on cash flows is proposed to be determined by the formula

$$L_{TB} = P_T / (CI_{CA \text{ without } BFC} + CI_{IA} + I_{FA \text{ other}}) \cdot 100\%, \quad (3)$$

where L_{TB} is a level of tax burden on cash flows;

P_T is tax payments (payment of accrued taxes and fees); otherwise – absolute value of tax burden on cash flows (B_T);

$CI_{CA \text{ without } BFC}$ is the same as in the formula (2);

CI_{IA} is cash inflow from investment activity;

$I_{FA \text{ other}}$ is other cash inflows in the field of financial activity.

Data in Table 7 show that the percentage of diversion of funds received in the company's turnover for the purpose of their transfer to budget and non-budget funds of the state averaged 14,85% for each year under analysis at annual increase on average by 0,43 percentage points.

Conclusions. Comparing (using data of Pic. 2) the total amount of funds received by JSC «Russian Railways» from the state budget and the amount of taxes and fees transferred to the state, it can be assumed that the absolute value of the latter is much higher. Consequently, the amount of funds allocated to JSC «Russian Railways» on payment of tax expenditures, is rightly to be considered as a potential source of:

- 1) coverage of its investment expenditures;
- 2) coverage of a part of expenses and lost income from current activities;
- 3) full or partial reduction of the need for debt financing.

² The author focuses on the fact that according to Russian law taxes are not expenses of business entities, however since they participate in formation of cash outflows, taxes and fees can conditionally be expenses. In 2010 single social tax was abolished with simultaneous introduction of insurance fees to non-budget funds, which are not taxes, since they are regulated by Tax Code. Due to their significant amount fees to non-budget funds are considered within tax expenses of JSC «Russian Railways» in analytical purposes.

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